



2013 Highlights of our work on environmental, social and governance issues

“There is no such thing to my mind . . . as an innocent stockholder. He may be innocent in fact, but socially he cannot be held innocent. He accepts the benefits of the system. It is his business and his obligation to see that those who represent him carry out a policy which is consistent with the public welfare.”

Former Justice Louis Brandeis

We couldn't agree more with the statement above. For us, including a social component in our investing process is a natural and practical extension of how we run our own business and how we approach investing. This report summarizes some of the environmental, social and governance work we have undertaken on behalf of our clients in 2013. For more timely updates, please follow us on Twitter or LinkedIn or visit the news section of our website.

At Zevin Asset Management (ZAM) we are committed to social change and are actively involved in many efforts to improve sustainability, respect for civil rights and liberties, and economic justice. Measuring the effectiveness of this work, some of which is described below, is difficult because change is typically not the consequence of any one action. We are part of many collaborative, long-term efforts to advance progressive causes and often join forces with other investors to build shareholder support for our dialogues, so that each investor's input is amplified. Through our work, we hope to give power to other stakeholders, both inside and outside companies to achieve improvements. Many of the companies mentioned below are not widely held in our clients' portfolios but are retained because of significant capital gains tax consequences if these stocks were sold. We, along with our clients who own these stocks, take the opportunity to use these shares to improve corporate behavior.

We prioritized two main issues in 2013 – corporate lobbying and climate change. And for many companies, both problems are especially pertinent.

Corporate lobbying

While spending on elections has ballooned after the Citizens United Supreme Court decision in 2010, it is still dwarfed by lobbying expenditures. Most of the money companies spend in the political arena comes after candidates are elected. The huge amount of money involved buys an enormous megaphone; one that is louder than millions of individual voices. Companies will always attempt to influence the outcome of public policy deliberations, but more often than not, companies embrace positions designed only for short-term profit maximization. This is antithetical for long-term investors and for a sustainable economy. Sunlight is a powerful disinfectant and the major lobbying that is done by corporations, especially through trade associations such as the US Chamber of Commerce, is done in the shadows. In order to hold companies accountable, disclosure of lobbying expenditure is key.

We filed shareholder resolutions with two companies on lobbying disclosure – **Wal-Mart** and **Darden**. In conjunction with other investors, we co-filed six more on the same topic at **AT&T**, **IBM**, **Chevron**, **Verizon**, **ConocoPhillips**, and **JP Morgan**. We also had substantial dialogue with **UPS** over its membership in ALEC (the American Legislative Exchange Council). We are concerned about

the disconnect between **UPS'** strong focus on sustainability and its support of a partisan anti-environmental organization such as ALEC. While our resolution was withdrawn after a challenge at the SEC (Securities and Exchange Commission), we will file a floor resolution at the company's annual meeting to continue the discussion.

Many of our clients held the restaurant company, **Darden**, for years because of its excellent reputation as a conscientious employer with ability to attract and retain a diverse group of well-motivated employees. However this reputation has been tarnished by stories of **Darden's** plans to evade the Affordable Care Act and its intense lobbying against paid sick days and keeping minimum wages low. In September, 23% of shareholders voted in favor of our resolution which demanded that the company disclose its lobbying spending. The resolution addressed not only **Darden's** direct lobbying but also the money that the company is laundering through trade associations to lobby on these issues on its behalf. We have had numerous conference calls with the company about their behavior without progress and have sold the stock for most of our clients.

We have also signed letters to **Google**, asking it to disclose direct and indirect political spending and to end the company's membership in the US Chamber of Commerce. We are concerned that the Chamber advocates for several policies and positions that directly contradict those which **Google** claims to support. For example, the Chamber has denied the science of climate change, sued the Environmental Protection Agency over its plans to regulate greenhouse gas emissions, and funneled an estimated 94% of its electoral contributions to candidates who have denied the scientific consensus on climate change while **Google** has taken laudable action on promoting clean energy and improving the way climate change is communicated to the public. The Chamber also strongly lobbied in favor of The Stop Online Piracy Act (SOPA) and Protect Intellectual Property Act (PIPA), well-intentioned bills that could lead to censorship for purposes other than intellectual property protection. **Google** has lobbied actively against these bills out of concern for its customers' privacy.

We joined 700,000 other investors in writing to the SEC to support the need for regulation around public companies' disclosure of use of corporate resources for political activities. In November it became clear that despite record breaking support for a ruling, the SEC bowed to corporate pressure and took rule making on this subject off its agenda. We were also part of an international collaboration of investors that sent letters to UK companies concerning their political donations and lobbying, especially regarding their membership in organizations such as ALEC and the Heartland Institute, a conservative think-tank that works to undermine climate science.

Sustainability reporting and climate change

While not especially exciting from an activist perspective, corporate tracking and reporting on sustainability measures helps make companies more responsive to a global business environment characterized by finite natural resources, changing legislation, and heightened public expectations for corporate accountability. Data on occupational safety and health, vendor and labor standards, waste and water reduction targets and product-related environmental impacts are important business considerations. Not managing these properly creates significant regulatory, legal, reputational and financial risks. In our dialogues and filings with companies, we have focused on getting companies to measure and report on their greenhouse gas emissions and then set reduction targets. This is especially relevant for companies with significant manufacturing operations. To this end, we have co-filed resolutions with **Emerson Electric** and **CR Bard** asking them to improve their sustainability reporting so that investors can take these issues into account. **Airgas** and **WW Grainger** have chosen to dialogue with us about potential improvements in their sustainability reporting. We are hopeful that progress at these companies will mitigate the need to file resolutions.

Although we have minimal exposure to fossil fuel companies in most client portfolios, as part of our growing focus on climate change, we co-filed a number of shareholder resolutions at energy companies such as **Chevron**, **ConocoPhillips**, and **ExxonMobil**, challenging their public policy advocacy opposing climate change solutions. Regulation of carbon emissions in the US is vital to reducing our country’s fossil fuel consumption. The best way to do this would be a tax on carbon emissions. However, as long as fossil fuel companies keep making large donations to political candidates, the stalemate on carbon legislation is likely to continue. We also co-filed shareholder resolutions at **ConocoPhillips**, **Phillips66**, **ExxonMobil**, and **Denbury Resources** urging them to set quantitative greenhouse gas reductions targets for their products and/or operations. The pipeline company, **Kinder Morgan**, has been expanding its interest in coal transportation. We partnered with First Affirmative Financial Network and co-filed a resolution that expressed concern that global actions to significantly reduce global greenhouse gas emissions could cause this coal-related infrastructure to lose significant value. We also demanded more information on the company’s goals and plans to address global concerns regarding fossil fuels, including analysis of long and short term financial and operational risks to the company.

We received the attention of the giant mutual fund company, **Franklin Templeton**, when we took them to task over their abysmal proxy voting record on environmental issues, specifically on climate change. While we had to withdraw our resolution on a technicality, we intend to challenge the company further on this topic this year with the aim of getting the company to revise its proxy voting policies and practices.

We were also involved in coalition efforts around the following issues:

<ul style="list-style-type: none"> • Board gender diversity 	<ul style="list-style-type: none"> • Mandatory labeling of GMOs 	<ul style="list-style-type: none"> • Immigration reform 	<ul style="list-style-type: none"> • Human Trafficking
<ul style="list-style-type: none"> • EPA carbon pollution standards 	<ul style="list-style-type: none"> • Bangladesh Accord for fire & building safety 	<ul style="list-style-type: none"> • Toxic chemicals in household products 	<ul style="list-style-type: none"> • Responsible Investment in Burma
<ul style="list-style-type: none"> • Financial transaction tax 	<ul style="list-style-type: none"> • Payday lending 	<ul style="list-style-type: none"> • Genetically modified seafood 	<ul style="list-style-type: none"> • LGBT rights at the Olympics
<ul style="list-style-type: none"> • Semi-automatic weapon accessory sales on Amazon 	<ul style="list-style-type: none"> • Sourcing fuel from oil sands 	<ul style="list-style-type: none"> • Land rights in Pepsi’s supply chain 	<ul style="list-style-type: none"> • NSA surveillance
<ul style="list-style-type: none"> • Carbon Asset Risk – assessing the value of fossil fuel reserves in a low carbon future 	<ul style="list-style-type: none"> • Environmental impacts of Alaska’s proposed Pebble Mine 	<ul style="list-style-type: none"> • Cisco’s planned broadband build-out in Israeli settlements 	<ul style="list-style-type: none"> • Stopping the consumer electronic use of minerals mined in conflict zones

Summary of ZAM's 2013 shareholder proposals

Company	Topic	Lead filer
Darden	Lobbying disclosure	Zevin Asset Management
Wal-Mart	Lobbying disclosure	Zevin Asset Management
Franklin Resources (withdrawn)	Proxy Review	Zevin Asset Management
UPS (withdrawn)	ALEC review	Zevin Asset Management
Chevron	climate change public policy review	Christopher Reynolds Foundation
Exxon	climate change public policy review	Christopher Reynolds Foundation
ConocoPhillips (withdrawn)	climate change public policy review	Needmor Fund
Kinder Morgan Inc	coal transportation infrastructure	First Affirmative Financial Network
ConocoPhillips	greenhouse gas emissions reductions targets	Presbyterian Church
Denbury Resources	greenhouse gas emissions reductions targets	Walden Asset Management
Exxon	greenhouse gas emissions reductions targets	Sisters of St Dominic
Phillips 66	greenhouse gas emissions reductions targets	Presbyterian Church
Chevron	Independent Chair/CEO	Unitarian Universalist Association
Pepsi	Land rights in supply chains	Oxfam America
Microsoft (withdrawn)	Human Rights in conflict zones	United Church Funds
AT&T	Lobbying disclosure	AFSCME
Chevron	Lobbying disclosure	AFSCME
Conoco Philips	Lobbying disclosure	Walden Asset Management
IBM	Lobbying disclosure	First Affirmative Financial Network
JP Morgan	Lobbying disclosure	Sisters of St Francis
Verizon	Lobbying disclosure	Domini
Exxon	Risk management in fracking	As You Sow, New York Pension Funds
CR Bard	Sustainability report	Walden Asset Management
Emerson Electric	Sustainability report	Walden Asset Management